

"MARCONI BUBBLE" STORY TOLD FOR THE FIRST TIME

Explanation of Remarkable Jump in Wireless Stock
Reads Like a Fairy Tale—Case of
"When Tragedy Smiles."

By CHRISTOPHER A. SHEA.
Wall Street Journal.

One of the most mysterious advances in the history of finance, which has ever occurred in the history of finance, was the recent phenomenal rise in the market price of the old stock of the Marconi Wireless Telegraph Company of America. In January of this year the stock could have been bought in any quantity at \$2 per share, and in March it sold at \$200 per share, in one of the wildest markets ever witnessed in the curb market of New York. Everybody was asking the question of this wild advance for a stock which had been regarded as not anywhere near worth its par value (\$25), yet it was being sought after by nearly every brokerage office in this country at any price under \$200 per share.

What was the matter? Were the stockholders about to receive a million? Was the company earning ten or twenty times more money in March than it was in January? Nobody was able to answer the host of questions which were being poured into the brokerage offices and newspapers in all parts of the United States, as Marconi stock was widely held in nearly every city of any importance in this country.

It is true the Marconi Company had just purchased all of the assets of the United Wireless Company for \$500,000, but this would not be the cause of the great advance in the earnings of both companies combined would not nearly be sufficient, if they were increased a hundred times, to pay a dividend on the Marconi shares.

Explanation Is Given.

For the first time since this wonderful advance The Washington Herald is able to give the true explanation of the rise in what happened. In March of this year the directors of the Marconi Wireless Telegraph Company of America decided to increase the capitalization of the company from \$1,000,000 to \$10,000,000, and at the same time to reduce the par value from \$25 per share to \$5 per share. The holder of each old share was given the "right" or privilege of buying twenty-five new shares at \$2 per share. He could convert his one old share into five new shares (par, \$5). For \$25 he could, therefore, own twenty-five new shares, and by converting his one old share into five new shares, he became the possessor of thirty new shares of stock.

Then what happened? The new stock had not been issued three days when the greatest disaster in the history of the world's history, the sinking of the Titanic, occurred, carrying with it the lives of more than 1,500 people, including a score of Americans. It was a loss of more than \$2,000,000 in the value of the vessel, and perhaps \$1,500,000 more in jewels and treasure.

Impressed with Wireless.

At once every citizen of the world over who read a newspaper was impressed with the almost divine utility of wireless telegraphs. And at once the security markets were flooded with shares from every corner of the world for Marconi new stock, the par value of which was only \$5. If the disaster had been carefully planned and fudishly executed it could not have happened more psychologically.

The flood of orders advanced the price of the new stock from \$5 per share to \$10 per share to \$15 per share to \$20 per share, not one-eight and one-quarter of a point at a time, but by dollars at a time. It advanced by leaps and bounds. It was then that the most startling possibilities of arbitrage were unfolded, a loss of the exorbitant of the curb market in New York, who are the most skillful arbitrageurs in the world. They are men who are experts of their business lives, scoping eighth, quarters and halves in the different price values between the markets of New York, Boston, Philadelphia and Newburg.

We will divert for a moment to inform the reader as to the so-called mysteries of arbitrage. If, for instance, the price of United States Steel common is 71 in New York, and it is selling for 71 1/2 in Boston, the arbitrageur, who is informed by telegraph, instantly, as to the price in the two cities, buys, we will say, one hundred shares at 71 in New York, and immediately sells 100 shares in Boston at 71 1/2. He will, therefore, make one-half a point, or \$50, on the transaction. If he is not satisfied with the arbitrageur can make this turn ten times a day, he will be making \$500 per day. Some of the skillfullest of the arbitrageurs will make twenty to fifty turns a day. Some of them in eighth, some in quarters, some in halves.

Arbitrageurs Went Wild. Ordinarily this constitutes the bulk of the business in arbitrage. But when it came to such an unheard of, such a phenomenal arbitrage profit of ten, twenty, thirty, fifty dollars per single share (not \$50 per one hundred shares), the arbitrageur, it is not surprising, went mad with a delirium of profits. But it has happened only once in the history of the financial world, and that once was last March. It is doubtful if the occasion will ever be repeated.

When the arbitrageurs found Marconi new stock selling at \$2 per share, and that one share of old stock was equivalent to twenty-five new shares, they were the wildest kind of bidding for the shares—shares which had lain in old trunks, in tin boxes, in yellow envelopes,

tucked away in bureau drawers, in the top shelves of closets in country houses, in safe deposit boxes—everywhere that there was a receptacle for these old certificates. Telegrams were flashed to every corner of the world, bidding for Marconi old stock.

The first active jump was from \$2 to \$20, then to \$50, then to \$80, then to \$100 per share, at which price the frenzy of the curb market was at its height. Curb brokers were so crazed with shouting and excitement between 10 a. m. and 3 p. m. that they could not sleep at night. They were frantically bidding for Marconi old stock in their sleep, and when the bell rang for the opening of the curb market the next morning at 10 o'clock the shouts from a hundred leather throats were akin to the howling of a pack of hungry wolves over a victim. Nothing like it was ever witnessed in the curb market. The newspaper reports brought visitors from near-by cities and States to witness the mob on Broad Street in their mad rush for Marconi old stock, which finally reached the unprecedented price of \$200 per share—the same share being bought at \$2 not two months previous.

Calm View Taken.

Now that the opportunity to exchange the old stock into new, and the privilege to buy twenty-five new shares at \$5 per share has expired, and after the heat of the battle has subsided and the wreckage cleared away, a calmer view of the battlefield may be had, and the story of the greatest riots which ever occurred in the history of the stock market may be told in simple language.

Perhaps the best way to explain this is in figures, and the subjoined table will clearly show the arbitrage possibilities with every point advance of the new stock:

Price of New Shares	One Old Share	25 New Shares	Arbitrage
\$2.00	\$25.00	\$125.00	\$123.00
3.00	25.00	125.00	122.00
4.00	25.00	125.00	121.00
5.00	25.00	125.00	120.00
6.00	25.00	125.00	119.00
7.00	25.00	125.00	118.00
8.00	25.00	125.00	117.00
9.00	25.00	125.00	116.00
10.00	25.00	125.00	115.00
11.00	25.00	125.00	114.00
12.00	25.00	125.00	113.00
13.00	25.00	125.00	112.00
14.00	25.00	125.00	111.00
15.00	25.00	125.00	110.00
16.00	25.00	125.00	109.00
17.00	25.00	125.00	108.00
18.00	25.00	125.00	107.00
19.00	25.00	125.00	106.00
20.00	25.00	125.00	105.00
21.00	25.00	125.00	104.00
22.00	25.00	125.00	103.00
23.00	25.00	125.00	102.00
24.00	25.00	125.00	101.00
25.00	25.00	125.00	100.00

From this table it will be readily seen that with every single dollar advance in the new shares, the shares advanced \$20 to make the arbitrage equivalent, therefore, the old stock could be bought below the arbitrage equivalent price (less \$25), a profit could be made. These prices are shown in the third column.

Disaster Caused Panic.

When the treasure-ship Columbia was wrecked off the coast of Hatteras in 1857, when she was bringing \$2,000,000 in gold from the Pacific Coast to New York around the Horn, which tragedy resulted in the loss of the lives of 800 passengers, it caused a panic in our money markets, which was heightened by the already existing panic of 1857, as New York was anxiously awaiting the arrival of the money in the hope of stemming the tide of commercial and financial disaster already under way. Security prices melted away like snow before the midsummer sun. The sinking of the Titanic, conversely, brought about one of the greatest inflations in security prices ever witnessed.

Hundreds of thousands of poor people who had withdrawn their little hoards from the savings bank in the hope of some day realizing a modest percentage on their investment, had held old Marconi stock for years, when they were suddenly enriched beyond calculation. A veritable Arabian Nights money castle rose before them, not a dream, not a story, not a fable, not a dream, but an actuality, an existence of such a colossal increment in their little investment as to be incredible.

Old Marconi stock with gray hair and gold-rimmed spectacles brought their old Marconi securities, which they had carefully nurtured in an almost forlorn hope, to the New York market and sold them for sums of money which they had never dreamed of possessing. One old lady in particular brought 200 shares of Marconi old stock to New York and sold it for \$200 per share, receiving \$40,000 for the certificates for which she had paid \$400 some three years previously.

Coaches, clerks, waiters, blacksmiths—nearly all of the wage-earner class, for it was to these people to whom most of the stock was sold—were enriched beyond the tales of Aladdin's Lamp, and the New York market was suddenly become theirs. In an instant they had become the wealthy of kings.

Laisted for Month.

This so-called "Marconi bubble" lasted for about one month, when the limitation for the purchase of new shares by the old stockholders at \$5 per share expired. This is why old Marconi stock is never quoted in the newspapers to-day. Its conversion value having ceased, the sheet of paper on which the seal of the company is now affixed is of practically no value.

Disregarding for the moment the future possibilities of the company, the bubble has burst. Those who did not take advantage of their privilege to buy new shares still have in their possession a stock certificate the value of which might perhaps be \$1 to any person who cares to buy it for a curiosity, but that same share, if intelligently handled during the time of the "Marconi craze" might be worth an amount of

money of incalculable value to the owner, depending upon the number of shares the single certificate represented, which might be from one to 1,000 shares.

Never again, probably, will such an opportunity present itself, never again, probably, will a tragedy bring about an advance in security prices, and never again, probably, in this decade, will the night investor become wealthy in a night through holding what might be considered worthless certificates, the price of which might be advanced 10,000 per cent by an accident.

This, therefore, is the true story of the recent "Marconi bubble," told in simple language, so that everybody may understand why the football of the curb was suddenly transformed into a golden ball to the poor investor.

WALL STREET NEWS

Politics Will Play Important Part in Financial Affairs This Summer Despite Other Assertions.

By THOMAS C. SHOTWELL.

New York, May 26.—Although the leading financial interests have dismissed politics as a bearish influence on the stock market, they have not by any means discounted the possible political developments on the other side. It is well for the public to bear in mind the fact that politics can exercise its powerful influence for higher prices, and that the chances are it will do so before the end of summer. Therefore, in eliminating politics the campaigneers for higher prices are taking no chance, but are simply holding one big thing in reserve.

Too much stress cannot be laid upon the reasons outside of politics for the strength of the market. These reasons have grown stronger in the past week, for crop conditions have improved materially. In addition to the crops, there is the record tonnage of steel at the lowest prices in ten years. Money is cheap in all parts of the world, and is freely offered for all kinds of business enterprises. Peace has been established, the labor world is so far as it can affect business in a big way.

A new influence has come unexpectedly from Washington. The Canadian lobby almost succeeded in having ships owned by American railroads barred out of the Panama Canal, but at the last moment common sense has prevailed and these ships will be admitted.

Means Advantage to People.

The result will be the building of several important lines by American railroads, and the people of the United States. The ships must not enter into conspires to hold up freight rates, but as they have no intention of doing so, the restriction is not important. It is one cheerful sign that the politicians should have admitted that the owners of the American railroads are not anxious to destroy their own business.

Settlement of this Panama dispute, together with other favorable factors, opens the way to some railroad deals of the first magnitude. The Seaboard Air Line deal has already progressed so far that an official announcement should come almost any day. Frank Gould will figure largely in the new management, but actual control will be in the hands of new interests that have been induced to go into the property by Mr. Gould.

The political situation is such that it is impossible to take a fair view of the financial situation without a clear understanding of what the politicians may do. Roosevelt's attitude is much more important than most people realize.

T. R. to Issue Manifesto.

One of his intimate friends and political advisers made the statement yesterday that Roosevelt intended to issue a manifesto in the near future embodying in his platform the views that have been persistently reiterated in his speeches for several years to the effect that the government is equally guilty with the trusts in what has been done in the way of big combinations, and that there should be an amnesty proclamation and a fresh start.

If this view is really taken by Roosevelt, and his friends say that George W. Perkins and Frank Munsey are supporting him because of his positive promise to follow this line of action, then even Roosevelt will be held with respect to the business world. Business men for several years have been waiting for this line of action, and they are not likely to be disappointed. They forget that Roosevelt had four years to digest public questions, and that his digestion has been slow. Standing aside from the battle, Citizen Roosevelt has been able to see the mistakes made by President Roosevelt, and being a clear-sighted politician, he apparently decided to take advantage of them.

ANACOSTIA.

The annual memorial service of John A. Logan Post, No. 13, G. A. R., of Anacostia, and its Women's Relief Corps, No. 7, was held last evening in Emmanuel Episcopal Church, Rev. W. G. Davenport, pastor, and a member of the post, delivering a special sermon. A special musical programme was contributed by the choir under the direction of Arthur L. Simpson. The members formed at the residence of Commander A. B. Frisbie, in Thirteenth Street, before the service and marched to the church in a body.

"Choir Night" was observed last evening in Anacostia Methodist Episcopal Church, when the choir, under the direction of Daniel C. Smith, was on the entire service and several members also contributed solos for the occasion. The pastor, Rev. Samuel W. Griffin, took as his subject, "Music and Religion," and preached a special sermon. The soloists were Mrs. W. J. Latimer, Mrs. Gilbert Lee, and Mrs. Charles F. Linger. M. E. Masson accompanied the organ with a violin.

Largest Morning Circulation.

ONE OF NEW YORK'S NEW COPS.



New York, May 26.—The new special policemen, who have been dubbed the "Dandy Fifth," the Fifth Avenue Protective Association, have created a most favorable impression, in their work of patrolling Fifth Avenue. From Twenty-sixth street to Forty-second, New York's new police body is composed of 100 stout men, all of them broad shouldered and over six feet tall. Their uniforms are of dark blue serge, trimmed in white and black. Their caps are of military shape. Across it in front in gilt letters is "Fifth Avenue Special Police."

TRANSPORT STRIKE THREATENS FAMINE

Other Lines of Labor Are Becoming Inflamed and Several Intimate Sympathetic Walkouts.

London, May 26.—With the strike of the transport workers as a nucleus, labor troubles in London are growing at an alarming rate. The Carters' Union has called a strike of all draymen and drivers of buses and delivery wagons. If effectual, this will tie up traffic and the distribution of foodstuffs. This would bring famine close to 5,000,000 persons.

Harry Gosling, head of the transport workers, to-day served notice upon the dock and transport companies that the men would not return to work as long as they were not permitted to work on their own and hired nonunionists. He made this declaration at the special strike inquiry being conducted in Falmington's Hall by Sir Edward Clarke.

As a result of the transport walk-out, the London and Brighton and the South-eastern railroads notified all shippers of the fact that they would not be responsible for delay in the nondelivery of merchandise conveyed part way in transit by barges.

The national strike was given to-day by the National Sailors' and Firemen's Union will meet in Liverpool, when the question will be taken up. The meeting was originally called to draw up plans for the enforcement of the new Maritime scale for ships.

Leaders of the transport and dock workers are going forward with their arrangements for a national strike. Ben Tillett, who formed the dock workers' union, is taking a prominent part in these activities.

Glasgow, Scotland, May 26.—The transport strike spread to Glasgow to-day, when shipping companies from this port to London were tied up. Otherwise the city is unaffected.

Harmon Wins Victory. Columbus, Ohio, May 26.—Gov. Judson Harmon won a victory in his fight for the solid Ohio delegation at Baltimore to-day when the Franklin County convention instructed its thirty-six delegates to vote for the unit rule at the State convention.

G. W. U. Exercises Begin June 5. The president and trustees of George Washington University have announced the programme for the commencement week exercises. The ceremonies incidental to the annual event will begin next Sunday morning, with the baccalaureate sermon at First Congregational Church, Tenth and G Streets. The university commencement exercises will be held at Continental Hall, Wednesday, June 6.

NEWS OF ALEXANDRIA

Thomas M. Fairfax, Civil War Veteran, Dies at Daughter's Home at Age of Seventy-two.

Alexandria, Va., May 26.—Thomas M. Fairfax, seventy-two years old, died at 2 o'clock this afternoon at the home of his daughter, Mrs. C. Randolph Davis, 507 Prince street, after a lingering illness. The deceased was a sufferer from paralysis, being stricken about five years ago. He suffered a third stroke several weeks ago which resulted in his death.

Mr. Fairfax was a native of Fairfax County and throughout the Civil War served in the Confederate army under Col. John S. Mosby. For a number of years he was engaged in the grocery business, having conducted a store at the northeast corner of Duke and Fairfax streets. Owing to declining health, incident to old age, he retired from active participation in business affairs several years ago.

Besides his wife the deceased is survived by the following children: Milton S. Fairfax, Mrs. C. Randolph Davis, and Mrs. Samuel Rhea, the latter of Washington.

His funeral will take place at 2 o'clock Tuesday afternoon from the residence of his daughter, Mrs. Davis, 507 Prince street.

Mrs. Margaret Duncan, eighty-four years old, a well-known resident of Alexandria County, died at 4:30 o'clock this afternoon at her home, Del Ray, as a result of a stroke of paralysis. Mrs. Duncan was stricken while at dinner, she just having returned from church services held in this city, and was apparently in the best of health. A few hours after the end came.

The deceased was the widow of John Duncan and had been a resident of this country for the past forty-eight years. She is survived by the following children: William Duncan, James M. Duncan, John H. Duncan, Edward Duncan and Mrs. John Simms, the latter of Washington. The funeral arrangements have not yet been made.

Memorial Day will be observed in this city with appropriate services, which will be held at 4 o'clock in the afternoon at the national cemetery here. The observance will be delivered by Maj. Thomas H. McKee, of Washington.

There will also be a musical programme, and earlier in the day the graves of the 2,500 soldiers buried therein will be appropriately decorated. The reading of Lincoln's Gettysburg address will be a feature of the exercises. At sunset members of the Alexandria Light Infantry will fire a salute. In accordance with an annual custom.

A favorable report will be made to city council at its meeting Tuesday night by the joint committee on public property and general laws, on the ordinance which provides that the fire department be placed in the hands of a committee composed of two members of the Board of Aldermen and three members of the Common Council, in accordance with a recent change in the city charter, made by the State Legislature at its last session. The change is to become operative June 12 next.

The protracted absence during the afternoon of young sons of Representative C. C. Carlin and Rev. W. J. Morton caused their parents so much alarm that the police were requested to endeavor to find the lads, who had gone out for a stroll. The boys, however, returned home a short time after the report had been made.

Laura Artlett, colored, was arrested this afternoon on a charge of violating the "Jim Crow" law on the cars of the Washington-Virginia Railway Company. The accused will be given a hearing in the Police Court to-morrow morning.

The funeral of Jacob A. Studds took place this afternoon from the residence of Mrs. George S. Studds, Duke Street extended. Services were conducted by Rev. H. M. Carter, pastor of the Methodist Episcopal Church South. The burial was made in the Methodist Protestant Cemetery.

The two councils of Junior Order of United American Mechanics, the city to-day observed Decoration Day by decorating the graves of its deceased members in the cemeteries in and near Alexandria, in accordance with an annual custom of that organization.

Delegates who will attend the fifteenth annual State council of the Daughters of Liberty, which will convene Tuesday morning in Odd Fellows' Hall, North Columbus Street, will begin to arrive here to-morrow night. The majority of the delegates will not, however, reach here until to-morrow night.

The funeral of the seven-year-old daughter of Mr. and Mrs. John Cooke was held this afternoon from the home of the parents of the deceased at Annandale, Fairfax County. Burial was made in the cemetery at that place.

Arlington Institute for young women will hold its closing exercises June 4 next at that institution, when four young women will be graduated.

A meeting of the Town Council of Potomac, Alexandria County, will be held to-morrow night, when the residents will submit the question of the purchase of a fire engine to the council.

C. H. Callahan, past master of Alexandria-Washington Lodge of Masons, accompanied by W. L. Andrews, Grand Master of Masons of Virginia, will leave to-morrow for Detroit, Mich., to attend the sessions of the Grand Lodge of that State.

FINANCIAL. FINANCIAL.

STOCKS AND BONDS AND INVESTMENT SECURITIES

Money to Loan on Good Business, Well Located City Property in Large Cities, in Any Part of the United States.

UNLIMITED CAPITAL SEEKING GOOD INVESTMENT.

LE ROY DAVIDSON,
Banker, Broker, Organizer, and Promoter.
Wall Street, New York, and Charlotte, N. C.
Cable Address, "ANTAN," New York.



EQUITABLE

Co-operative Building Association.

OBJECT: To make regular monthly savings on shares of fixed amounts and realize a sure and substantial profit.

LOANING: To pay for homes and other property by obtaining advances from the association repaid in monthly installments with the privilege of settling all or any portion of the advance when desired.

Shares Can Be Taken at Any Time in the 63d Issue.

Shares, \$2.50 Each.

John Jay Edison, President.

Ellis Rees, Vice President.

Perry B. Turley, Second Vice President.

Frank P. Reade, Secretary.

REAL ESTATE LOANS.

Made at Lowest Rates of Interest.

W. H. WALKER, 729 15th St. N.W.

GOVERNMENT FILES

COFFEE AFFIDAVIT

Additional Papers Given Court Asking for Receiver to Sell Stored Product.

New York, May 26.—To support its contention that the Coffee Trust bought up coffee in this country to complete a corner, the Department of Justice filed yesterday an additional affidavit with Judge Lacombe, Cox, Noyes, and Ward. The action is against Herman Slicklen and the other members of the valorization committee which still holds in storage in Brooklyn 600,000 bags of coffee.

The government asks that an injunction be issued against Slicklen and his alleged fellow conspirators be continued until a petition be made for the receiver to sell the coffee so that it may flow back into the natural channels of trade.

Up to the new affidavit hangs one of the cardinal points of the case. It sets forth that Crossman and Slicklen, of which Slicklen is the American representative, in the case of the trust committee, have been appointed to keep up the price, purchased 62,700 bags on the New York exchange. Therefore the government contends Slicklen violated the Sherman act.

COL. WILLIAM L. DAVIS DIES.

Cousin of Confederate President to Be Buried Here.

Tucson, Ariz., May 26.—Col. William Leonard Davis, a well-known mining promoter and former vice president of the Press Publishing Company (the New York World), died here yesterday after a brief illness at the age of sixty-five.

Col. Davis was a brother of Mrs. Joseph A. Davis, of New York, and a cousin of President Jefferson Davis of the Confederacy. He was a native of Virginia and a graduate of Annapolis. Interment will be at Washington, D. C.

The Hawaiian Islands boast of five railway lines, but the longest of them has only seventy miles of right of way.

CASTORIA

For Infants and Children.

The Kind You Have Always Bought

Bears the Signature of J. C. Watson

Capital\$1,000,000.
Deposits nearly \$7,000,000.

A Well Equipped Foreign Department

We Issue—
Travelers' Checks and Letters of Credit, Foreign Drafts, &c.

—Is one of the most helpful features of our remodeled banking house. Here we will furnish you with a daily available fund as well as the most complete information on the subject of foreign travel.

SAFE DEPOSIT BOXES for rent.

The Washington Loan and Trust Company,
Cor. 9th and F Sts.
JOHN JOY EDISON, President.

The Safest Investments

Are those that do not fluctuate during disturbed conditions of the money or stock markets. First deed of trust notes (first mortgages), secured on real estate in the District of Columbia, constitute "gold-edge" investments. They do not depend upon the financial responsibility of individuals or corporations for their stability, and are exempt from taxation as personal property. We can supply such investments in amounts from \$100 upward, send the booklet, "Concerning Loans and Investments."

Swartzell, Rheem & Hensley Co.,
727 15th Street Northwest.

W. B. Hibbs & Co.

New York Stock Exchange, Washington Stock Exchange, Chicago Board of Trade.

LOCAL SECURITIES bought and sold on same favorable terms as we offer for trading in New York stocks and bonds.

Hibbs Building

PROPOSALS.

U. S. ENGINEER OFFICE, 201 17th St. N. W., Washington, D. C., May 23, 1912.—Sealed proposals for furnishing material and erecting complete brick structures on Potomac River will be received at the Chief Clerk, Treasury Department, U. S. Building, Washington, D. C., until 12 o'clock noon, JUNE 12, 1912, and then publicly opened. Information on applications, W. B. Hibbs & Co., 727 15th St. N. W., Washington, D. C.

TREASURY DEPARTMENT, WASHINGTON, May 23, 1912.—Sealed proposals will be received at this department until 2 o'clock p. m. MONDAY, JUNE 2, 1912, for the removal of saws and rubbish from the Chief Clerk, Treasury Department, U. S. Building, Washington, D. C., clearing carpenter and working and storing levels for the Department. For full particulars of the work, see the specifications, which can be obtained upon application to the Chief Clerk, Treasury Department, U. S. Building, Washington, D. C. The bids, or an act of a bid, and in water defects JAMES L. WILMETH, Chief Clerk. m23-2-12